

BOWLIN TRAVEL CENTERS, INC.

Financial Statements

For the Quarterly Period Ended

October 31, 2015

(unaudited)

150 Louisiana, NE Albuquerque, NM 87108 (505) 266-5985

BOWLIN TRAVEL CENTERS, INC.
Condensed Balance Sheets
(in thousands, except share data)

	Oct 31, 2015 (Unaudited)	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,875	\$ 3,614
Marketable securities	951	951
Accounts receivable	14	16
Inventories	3,516	3,067
Prepaid expenses	184	199
Deferred income taxes	64	60
Interest receivable	2	1
Total current assets	<u>8,606</u>	<u>7,908</u>
Property and equipment, net	9,498	9,453
Capital lease, net	17	67
Long-term deferred tax assets	52	378
Assets held for sale	470	412
Intangible assets, net	42	48
Investment in real estate	419	419
Total assets	<u>\$ 19,104</u>	<u>\$ 18,685</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 884	\$ 662
Current maturity of long-term debt	301	293
Current maturity of obligation under capital lease	17	67
Accrued liabilities	992	858
Deferred revenue	30	21
Total current liabilities	<u>2,224</u>	<u>1,901</u>
Deferred income taxes	685	726
Long-term debt, less current maturities	4,506	4,732
Total liabilities	<u>7,415</u>	<u>7,359</u>
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, none issued or outstanding at October 31, 2015 and January 31, 2015	—	—
Common stock, \$0.001 par value; 10,000,000 shares authorized, 4,082,111 issued and outstanding at October 31, 2015 and 4,099,676 issued and outstanding at January 31, 2015	5	5
Less: Treasury stock	<u>1</u>	<u>1</u>
Common stock outstanding	4	4
Additional paid in capital, net	9,199	9,223
Retained earnings	2,486	2,099
Total stockholders' equity	<u>11,689</u>	<u>11,326</u>
Total liabilities and stockholders' equity	<u>\$ 19,104</u>	<u>\$ 18,685</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Income
(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	October 31, 2015	October 31, 2014	October 31, 2015	October 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gross sales	\$ 5,862	\$ 6,975	\$ 20,448	\$ 23,050
Less discounts on sales	78	67	236	194
Net sales	5,784	6,908	20,212	22,856
Cost of goods sold	3,120	4,567	11,552	15,357
Gross profit	2,664	2,341	8,660	7,499
General and administrative expenses	(2,333)	(2,142)	(7,260)	(6,513)
Depreciation and amortization	(238)	(236)	(712)	(704)
Operating income	93	(37)	688	282
Non-operating income (expense)				
Interest income	2	1	6	4
Interest expense	(46)	(53)	(140)	(148)
Gain on sale of assets	—	6	—	17
Rental income	38	38	115	119
Total non-operating income (expense)	(6)	(8)	(19)	(8)
Income before income taxes	87	(45)	669	274
Income tax expense	(36)	13	(282)	(120)
Net income	<u>\$ 51</u>	<u>\$ (32)</u>	<u>\$ 387</u>	<u>\$ 154</u>
Earnings per share				
Basic and diluted, net income	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ 0.09</u>	<u>\$ 0.04</u>
Weighted average common shares outstanding	<u>4,082,111</u>	<u>4,111,997</u>	<u>4,082,111</u>	<u>4,111,997</u>

See accompanying notes to condensed financial statements.

BOWLIN TRAVEL CENTERS, INC.
Condensed Statements of Cash Flows
(in thousands)

	For the Nine Months Ended	
	October 31, 2015 (Unaudited)	October 31, 2014 (Unaudited)
Cash flows from operating activities:		
Net income	\$ 387	\$ 154
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	712	704
Amortization of loan fee	4	4
Deferred income taxes, net	281	120
Gain on sale of assets	—	(17)
Retirement of debt issuance fees	—	3
Changes in operating assets and liabilities, net	(67)	329
Net cash provided by operating activities	<u>1,317</u>	<u>1,297</u>
Cash flows from investing activities:		
Proceeds from sale of assets	—	23
Purchases of property and equipment, net	(763)	(560)
Accrued interest receivable	(1)	(2)
Marketable securities, net	—	(40)
Net cash used in investing activities	<u>(764)</u>	<u>(579)</u>
Cash flows from financing activities:		
Payments on long-term debt	(218)	(200)
Retirement of long-term debt	—	(945)
Payments for obligation under capital lease	(50)	(47)
Payments for debt issuance costs	—	(22)
Proceeds from borrowing	—	1,500
Additional paid-in capital, treasury stock	(24)	(28)
Net cash (used in) provided by financing activities	<u>(292)</u>	<u>258</u>
Net increase in cash and cash equivalents	261	976
Cash and cash equivalents at beginning of period	<u>3,614</u>	<u>2,554</u>
Cash and cash equivalents at end of period	<u>\$ 3,875</u>	<u>\$ 3,530</u>

See accompanying notes to condensed financial statements.

Notes to Condensed Financial Statements (Unaudited)

1. The condensed financial statements of Bowlin Travel Centers, Inc. (the "Company") as of and for the three months and nine months ended October 2015 and 2014 are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position, operating results and cash flows for the interim periods. The interim financial statements should be read in conjunction with the audited financial statements and notes for the fiscal year ended January 31, 2015. Results of operations for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole.

2. The Company continues to list for sale one retail location in Edgewood, New Mexico.

The property, fixtures and equipment located in Edgewood that are listed for sale have been identified as a component as defined in FASB ASC 2005-20-45 – Accounting for Impairment or Disposal of Long-Lived Assets (as amended). The carrying value of the property, fixtures and equipment of approximately \$470,000 have been reclassified as assets held for sale in the October 31, 2015 and \$412,000 in the January 31, 2015 balance sheets. On October 31, 2007, the Company closed the Edgewood location. In October 2015, the Company razed the building adding approximately \$58,000 to the land cost.

3. In September 2015, the Board of Directors voted to continue the stock repurchase program that began in September 2008, whereby up to 1,000,000 shares of its common stock outstanding may be repurchased in the open market or in privately negotiated purchases from time to time, depending on market conditions and other factors. The purchases will be funded from available working capital and will be made in accordance with applicable securities laws and regulations.

The Company repurchased 17,565 of its outstanding common shares for the nine months ended October 31, 2015 at an average price per share of \$1.40, for a total repurchase of approximately \$24,412. The common stock issued and outstanding was reduced by 17,565 shares or \$18 (17,565 shares times the par value of \$0.001), and additional paid in capital was reduced by \$24,394. The reduction in shares issued and outstanding and additional paid in capital is reflected in the accompanying balance sheet.

4. On April 1, 2015, the Company entered into a Marketer PMPA (Petroleum Marketing Practices Act) agreement with Western Refining Wholesale, LLC ("Western"). Western will provide ExxonMobil branded motor fuels to the Company for resale at five of the Company's ExxonMobil branded locations. The agreement has a ten-year term expiring March 31, 2025, and requires the Company to purchase certain annual minimum quantities of gasoline and diesel at a distributor's markup price of \$0.015 per gallon. In addition, Western will award the Company \$225,000 for approved Exxon image upgrades.

Termination of the Company's ExxonMobil distributorship eliminated the dealers the Company was doing business with. For the nine months ended October 31, 2015, approximately \$435,000 in fuel sales were eliminated as well as approximately \$435,000 in cost of fuel purchased. The net effect on gross profit is zero.